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Chapter 8

Managing Human Resources

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Learning Objectives

LO 1 Discuss how companies use human resources management to gain competitive advantage.

LO 2 Give reasons why companies recruit both internally and externally for new hires.

LO 3 Explain how employers select new employees.

LO 4 Evaluate various methods of training and development.

LO 5 Explain who can and should appraise an employee's performance.

LO 6 Describe the fundamental aspects of a reward system.

LO 7 Summarize how unions and labor laws influence human resources management.

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Strategic Human Resources Management 1

Human Resources Management (HRM)

- System of organizational activities to attract, develop, and motivate an effective and qualified workforce.
- Also known as talent, **human capital**, or personnel management.
- Plays a vital strategic role as organizations attempt to compete through people.

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Strategic Human Resources Management 2

Strategic Impact of HR

- People create value.
- Talent is rare.
- Capable, motivated people are difficult to imitate.
- People can be organized for success.

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The HR Planning Process 1

HR Planning

- Planning: HR managers must know company's business plans.
- Programming: HR managers implement specific activities.
- Evaluating: HR managers evaluate whether activities are producing results needed to pursue business plans.

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Exhibit 8.1 HR Planning Process

Planning

HR Environmental Scanning

- Labor markets
- Technology
- Legislation
- Competition
- Economy

HR Planning

- Demand forecast
- Internal labor supply
- External labor supply

Programming

HR Activities

- Recruitment
- Selection
- Diversity and inclusion
- Training and development
- Performance appraisal
- Reward systems
- Labor relations

Evaluating

Results

- Productivity
- Quality
- Innovation
- Satisfaction
- Turnover
- Absenteeism
- Health

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The HR Planning Process 2

Job Analysis

A tool for determining what is done on a given job and what should be done on that job.

Two elements:

- Job description—describes the essential tasks, duties, and responsibilities involved in performing the job.
- Job specification — describes the knowledge, skills, abilities, and other characteristics (KSAOs) needed to perform the job.

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Staffing the Organization

Recruiting Attracts Good Candidates

Recruitment is development of a pool of applicants for jobs in an organization.

Internal recruiting advantage: employers know their employees, and employees know their organization.

- Job-posting system.

External recruiting brings in “new blood” and can inspire innovation.

- Internet job boards, company websites, employee referrals, newspaper advertisements, and college campus recruiting.
- Networking sites and employment agencies.

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Special Recruitment Efforts

The U.S. Chamber of Commerce and the San Francisco Giants baseball team hosted the Hiring Our Heroes job fair.

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Selecting the Best Hire

Selection

- Choosing from among qualified applicants to hire into an organization.

When based on a job analysis, structured interviews are more reliable predictors of job performance than unstructured interviews.

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Selection Methods 1

Selection Methods

Applications and résumés.

Interviews.

- **Unstructured or nondirective interview**: interviewer asks different interviewees different questions.
- **Structured interview:** interviewer asks all applicants the same questions and compares responses to standardized set of answers.
  - Situational interview.
  - Behavioral description interview.

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Selection Methods 2

Selection Methods continued

- Reference checks.
- Background checks.
- Social media checks.
- Personality tests.
- Drug testing.
- Cognitive ability tests.
- Performance tests (may use **assessment center**.)
- Integrity tests.

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Exhibit 8.2
Sample Measures of Cognitive Ability

Verbal ability

Gratuitous means the same as Blank.

a. dear
b. paid
c. expensive
d. costless

Reasoning ability

1, 4, 8, 13, 16, 20, 25, Blank.

a. 27
b. 28
c. 29
d. 30

Quantitative ability

Yesterday, the price of a bike was $90.00. Today, the price was decreased by 15 percent. What is the new price?

a. $72.50
b. $75.00
c. $76.50
d. $78.00

Answers: d, b, and c

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Reliability and Validity Are Essential

Reliability

- The consistency of test scores over time and across alternative measurements.

Validity

The degree to which a selection test predicts or correlates with job performance.

- Criterion-related validity is the degree to which a test actually predicts or correlates with job performance.
- Content validity concerns the degree to which selection tests accurately measure a representative sample of the knowledge, skills, and abilities required for the job.

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Sometimes Employees Must Be Let Go

Layoffs

- May involve downsizing or restructuring.
- **Outplacement** helps dismissed people regain employment elsewhere.

Termination

- May involve poor performance or other reasons.
- **Employment-at-will:** legal concept that an employee may be terminated for any reason.
- **Termination interview:** the manager discusses a dismissal decision with the employee.

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Exhibit 8.3 Practical Guidelines for Conducting a Termination Interview

- Do provide written explanations of severance benefits.
- Do provide outplacement services away from company headquarters.
- Do be sure the employee hears about the termination from a manager, not a colleague.
- Do express appreciation for what the employee has contributed, if appropriate.
- Don’t leave room for confusion when firing. Tell the individual in the first sentence that they are terminated.
- Don’t allow time for debate during a termination session.
- Don’t make personal comments when firing someone; keep the conversation professional.
- Don’t rush a fired employee off site unless security is an issue.
- Don’t fire people on significant dates, like the 25th anniversary of their employment or the day their mother died.

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Legal Issues and Equal Employment Opportunity 1

Laws Governing Employment

- Be familiar with Equal Employment Opportunity laws to follow best practices and avoid punishments for noncompliance.
- One common reason employers are sued for discrimination is **adverse impact**—when a seemingly neutral employment practice has a disproportionately negative effect on a protected group.
- Many companies have procedures to ensure compliance with labor and equal opportunity laws.

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Legal Issues and Equal Employment Opportunity 2

Laws Protecting Employees from Discrimination

1964 Civil Rights Act.

- Title VII prohibits sexual harassment.

Americans with Disabilities Act.

Age Discrimination in Employment Act of 1967.

Worker Adjustment and Retraining Notification Act of 1989.

Family and Medical Leave Act (1991).

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Training and Development

Training

- Teaching lower-level employees how to perform their current jobs.

Development

- Helping managers and professional employees learn the broad skills needed for their present and future jobs.

Programs Include Four Phases

- **Needs assessment**.
- Design the program.
- Delivery methods decisions.
- Evaluate effectiveness.

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Types of Training 1

Orientation Training

- Training designed to introduce new employees to the company and familiarize them with policies, procedures, culture, and the like.

Team Training

- Training that provides employees with the skills and perspectives they need to collaborate with others.

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Types of Training 2

Diversity Training

- Programs that focus on identifying and reducing hidden biases against people with differences and developing the skills needed to manage a diversified workforce.

Management Development Programs

- Training for new or experienced managers, often focused on leadership and other “people skills.”

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Exhibit 8.5 Important Training and Development Topics

Artificial Intelligence
Employee Engagement
Diversity and Inclusion
Leadership Development
Teams and Teambuilding
Customer Service Training
Sales Training
Positive Relationships

Source: Adapted from "2022 Training Industry Report," *Training*, November 16, 2022, https://trainingmag.com/2022-training-industry-report/.

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Performance Appraisal

Performance Appraisal (PA)

Assessment of an employee's job performance.

Purposes:

- Administrative.
- Developmental.

Performance appraisal feedback is more effective when it's specific and constructive.

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What Do You Appraise?

Three Basic Categories of Employee Performance

Trait appraisals.

- Ratings scales.

Behavioral appraisals.

- Behaviorally anchored rating scale, critical incident technique.

Results appraisals.

- **Management by objectives (MBO)** involves a subordinate and a supervisor agreeing in advance on specific performance goals (objectives).

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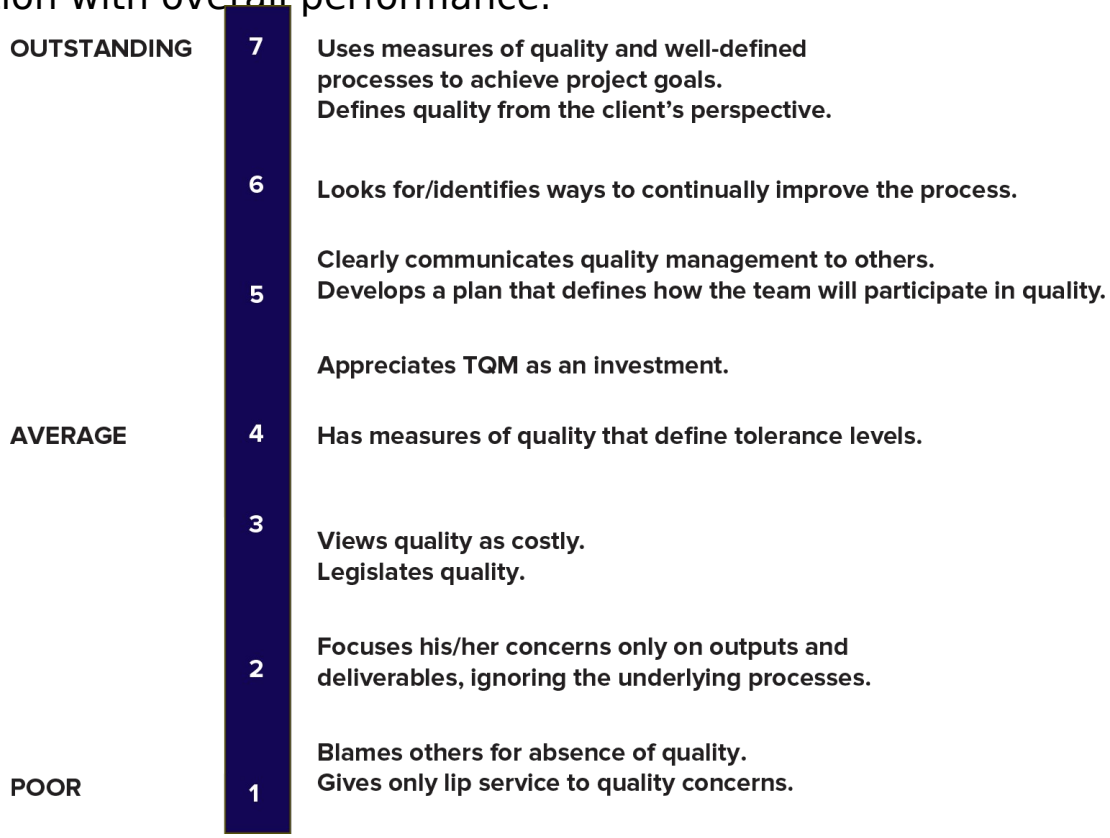
Exhibit 8.6 Example of BARS Used for Evaluating Quality

Performance Dimension: Total Quality Management. This area of performance concerns the extent to which a person is aware of, endorses, and develops proactive procedures to enhance product quality, ensure early disclosure of discrepancies, and integrate quality assessments with cost and schedule performance measurement reports to maximize clients' satisfaction with overall performance.


OUTSTANDING
7
Uses measures of quality and well-defined processes to achieve project goals.
Defines quality from the client's perspective.
6
Looks for/identifies ways to continually improve the process.
Clearly communicates quality management to others.
5
Develops a plan that defines how the team will participate in quality.
Appreciates TQM as an investment.
AVERAGE
4
Has measures of quality that define tolerance levels.
3
Views quality as costly.
Legislates quality.
2
Focuses his/her concerns only on outputs and deliverables, ignoring the underlying processes.
Blames others for absence of quality.
POOR
1
Gives only lip service to quality concerns.

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Who Should Do the Appraisal? 1

Several Sources

- Managers and supervisors traditionally.
- Peers and team members.
- Manager's direct reports.
- Internal and external customers.
- Self-appraisals.
- **360-degree appraisal.**

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Who Should Do the Appraisal? 2

Giving Performance Feedback

- Be specific and constructive.
- Allow employee to ask questions and respond.

When employee performance is below standards:

1. Summarize the employee's specific performance.
2. Describe expectations and standards.
3. Determine causes for low performance.
4. Discuss solutions to the problem.
5. Agree to a solution.
6. Agree to a timetable.
7. Document the meeting.

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Designing Reward Systems

Pay Decisions Consider the Company, Position, and Individual

Wage mix considerations:

- Internal factors.
- External factors.

These basic decisions:

- Pay level.
- Pay structure.
- Individual pay decisions.

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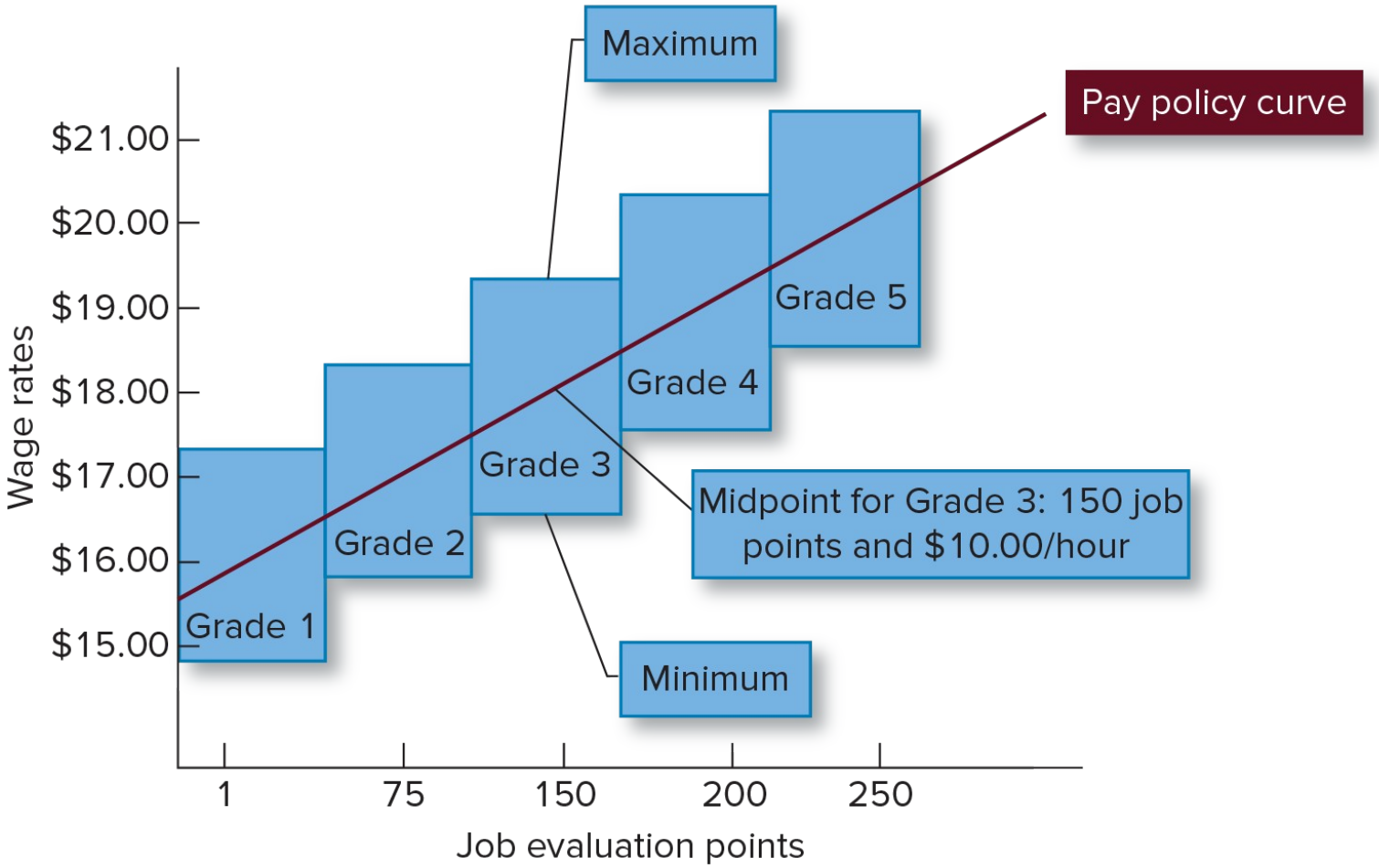
Exhibit 8.7 Pay Structure



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Incentive Pay Encourages Employees to Perform

Motivating Employees

Individual incentive plans compare a worker's performance against an objective standard.

Group incentive plans are based on group performance.

- Gainsharing and profit-sharing plans.

Merit pay bases raises and bonuses on merit ratings.

Nonfinancial incentives.

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Executive Pay Is Controversial

CEO Compensation

- Wide gap between executives' pay and average employee pay.
- Bigger differences relate to stronger firm performance in the short term but worse performance long term.
- Fastest-growing part of executive compensation comes from stock grants and stock options.

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Most Employees Get Benefits, Too [1]

Three Benefits Required by Law

- Workers' compensation.
- Social Security.
- Unemployment insurance.

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Most Employees Get Benefits, Too 2

Benefit Options

Cafeteria or **flexible benefit programs.**

- Employees choose from menu of options to create a benefit package tailored to their needs.
- Employees are given credits to spend on benefits that fit their unique needs.

Workers consider not only salary, but also environment, culture, and benefits in choosing employers.

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Pay and Benefits Must Meet Legal Requirements

Legal Requirements

- Equal Pay Act (EPA) of 1963 prohibits unequal pay for men and women who perform equal work.
- **Comparable worth** laws in some states.
- Some laws regulate benefit practices.

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Employers Must Protect Health and Safety

Occupational Safety and Health Act (OSHA)

- Requires employers to pursue workplace safety by maintaining records of injuries and deaths caused by workplace accidents and submitting to onsite inspections.
- Special concern for safety of young workers.

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Labor Relations

Labor Relations

- System of relationships and interactions between workers and management.

What Labor Laws Exist?

- National Labor Relations (Wagner) Act.
- Labor-Management Relations (Taft-Hartley) Act.
- Labor-Management Reporting and Disclosure (Landrum-Griffin) Act.

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How Do Employees Form Unions?

Unionization

- Begins when a union organizer or local rep describes benefits workers may receive by joining.
- If 30 percent or more of workers agree, the National Labor Relations Board (NLRB) conducts election by secret ballot.

Why do workers join a union?

- Economic factors.
- Job dissatisfaction.
- Belief that union has the power to obtain desired benefits.
- Image of the union.

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How Is Collective Bargaining Conducted?

Collective Bargaining

- Periodic negotiation concerning wage, benefits, hours and working conditions.
- After agreement is signed, parties may disagree over its interpretation, and settle through **arbitration**.
- A **union shop** is an organization with a union and a union security clause specifying that workers must join the union after a set period of time.
- A **right-to-work** state has legislation that allows employees to work without having to join a union.

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What Does the Future Hold?

The Future of Unions

Union membership has declined to about 10 percent overall of U.S. labor force.

- Down from a peak of over 33 percent at end of World War II.
- Attributable partly to improved HR effectiveness.
- Decline also attributed to automation in

Well-managed labor relations are built on mutual respect and fair evaluation of every employee's contributions.

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Group Challenge

Employee Selection

You are the owner of a small overnight trucking firm, a local alternative to FedEx. Business is booming and you need to hire several more drivers. Drivers operate independently, load and unload cargo, need to lift and carry up to 50 pounds, troubleshoot situations, interact with customers, and operate multiple vehicle types.

- Make a list of the qualifications that you will require of applicants for the driver job.
- What selection methods will you use in filling the positions?
- Will you be able to defend your selection decision in court?

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Chapter Review

What is strategic HR?

HR planning involves three stages.

Staffing the organization.

- Internal, external recruiting.

Selection methods.

- Reliability and validity.
- Layoffs, termination.

Training and development.

Performance appraisals.

Designing reward systems.

- Incentive pay, benefits.

Labor relations.

- Unions, collective bargaining.

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